



June 10, 2014

House Committee on Transportation and Infrastructure
124 North Capitol Avenue
Lansing, MI 48909

Re: Senate Bills 915-918

Dear Committee Members,

My name is Stephen Dedene and I am the Manager of Compliance and Regulatory Affairs for Credit Union ONE. I would like to thank the committee for the opportunity to testify today regarding Senate Bills 915-918. Credit Union ONE is an \$830 million dollar credit union headquartered in Oakland County with over 111,000 members and 17 branches located in Oakland, Macomb, Wayne, Grand Traverse, and Kent Counties. Credit Union ONE supports Senate Bills 915-918.

Senate Bills 915-918 amend the Michigan Vehicle code which allows the State of Michigan to transition from a paper based vehicle titling system to an electronic system. The current system is outdated, inefficient, burdensome and open to a heightened fraud risk. The proposed bills will enhance the titling system, streamline the process, remove a much needed regulatory hurdle, reduce the risk of fraud, and utilize available technology to create much needed efficiencies.

In 2013, Credit Union ONE funded processed 2,059 vehicle refinances and 729 private party deals. In order to process a refinance under the current system the owner of the vehicle must bring their paper title with them to the loan closing. Once presented with the paper title the credit union will have the member complete a paper application for Michigan vehicle title with the credit union listed as the secured party. We will also generate and send a request for termination of the lien to the current secured party asking to send the statement upon receipt of payment. Once the credit union receives the termination statement we take the existing paper title, application for Michigan vehicle title, termination statement, and tile processing check to the Secretary of State for processing. Assuming everything is in order we will receive a receipt and the title with our security interest will be sent to the owner of the vehicle.

This is a very tedious and lengthy process which can take anywhere from 7-30 days depending on how quickly the prior secured party receives and processes the payment and sends the termination statement. Any errors on the existing title or title application can also result in delay. The amount of work that goes into title processing and the volume of transactions require the credit union to have one employee dedicated to title processing.

The current system is also susceptible to fraud whereby individuals either create fictitious termination statements or fraudulently sign the security interest away on the actual paper title. When this happens an individual is able to remove the security interest in the vehicle, sell the vehicle, and have a new free and clear title issued. In these instances financial institutions are left with a vehicle loan where payments are no longer being made, the borrower no longer has the vehicle, and the vehicle cannot be



located. According to the Combined Auto Theft Unit in Grand Rapids, three area men were arrested in late March 2013, for allegedly erasing lien holder information on titles in order to take out multiple loans on the same vehicle. The scam ran for three months costing nine credit unions and banks at least \$200,000.

Senate Bills 915-918 will allow the Secretary of State to develop a new electronic vehicle titling system that will address all of the issues mentioned above. With an E-Titling system, lenders will be able to check the status of liens on existing vehicles before granting a loan and release security interest on a vehicle in a timely manner electronically. A centralized electronic database would be created to house all vehicle titles. We would no longer need to send requests for termination statements, wait to receive the statement from the prior secured party, or take paper titles to the Secretary of State for processing. Additionally, most errors would be eliminated since lien holders would be able to better manager titles they have a security interest in.

These enhancements will also reduce the burden on our members and provide them with confidence in the process and peace of mind knowing they do not have to safeguard their title. In addition to streamlining the process, the bills would significantly reduce the probability of fraud and add additional violations for falsifying release of liens. They also include provisions that would require those who commit these crimes to pay restitution.

Finally, these bills will enable the credit union to provide more vehicle loan closing options to our members. As enhancements in technology occur and members desire quicker and more efficient services, we must be able to meet their demands. We must be there for them when they want, not just from nine to five, and using a method of their choosing. It is not good enough to only have an option to close a loan in a branch. It is exciting to think of the possibilities that may exist with the passage of these bills.

Credit Union ONE supports Senate Bills 915-918 and I respectfully ask members of the committee to support these bills.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Dedene", written over a horizontal line.

Stephen Dedene
Manager, Compliance and Regulatory Affairs
Credit Union ONE



SUBSCRIBE

Get the Industry's
Leading Magazine!Subscribe today
(/pages/subscribe.php?
rel=top.promo)

FREE ENEWSLETTER

Daily News Alert
Breaking News and Information

FOLLOW

(http://twitter.com/CreditUnionTimes)
-Union-Times/925076306064

Sign up

Follow (http://twitter.com/CreditUnionTimes)

eNewsletters (/eNewsletters)

Q

Topics

Resource Center (/resources?ref=hp)

Careers (/careers)

Subscribe (/pages/subscribe.php) More

(http://ads.cutimes.com/RealMedia/ads/click_lx.ads/www.cutimes.com/topic/lending/L29/964432298/Top/NUIC/CUTHome_LSC_ROS_Leader_06_01_2013)

Digital Title Fraud Fight Makes Case for ELT: Print Preview

(http://ads.cutimes.com/RealMedia/ads/click_lx.ad
x)

By Michelle A. Samaad (http://www.addthis.com/bookmark.php?v=300&winname=addthis&pub=ra (/author/michelle-a-samaad))
 April 12, 2013 • Reprints 04bd4148c57a74&source=tbx32-300&lng=en-
 (http://summitpronetereprints.com/reprint
 -products-quote-reprints-us&source=tbx32-300&lng=en-
 cf2_field_18=http%3A%2F%2Fwww.cutimes.com%2F2013%2F04%2F12%2Fdigital-title-fraud-fight-makes-case-for-elt-
 2Fwww.cutimes.com%2F2013%2F04%2F12%2Fdigital-title-fraud-fight-makes-case-for-elt-
 2Fdigital-title-fraud-fight-makes-case-for-elt-20ELT%3A%20Print%20Preview&site=AT-ra-4e04bd4148c57a74/-/-
 print&cf2_field_17=Credit%20Union%20Times&cf2_field_16=Credit%20Union%20Times&cf2_field_15=Credit%20Union%20Times&cf2_field_14=Credit%20Union%20Times&cf2_field_13=Credit%20Union%20Times&cf2_field_12=Credit%20Union%20Times&cf2_field_11=Credit%20Union%20Times&cf2_field_10=Credit%20Union%20Times&cf2_field_9=Credit%20Union%20Times&cf2_field_8=Credit%20Union%20Times&cf2_field_7=Credit%20Union%20Times&cf2_field_6=Credit%20Union%20Times&cf2_field_5=Credit%20Union%20Times&cf2_field_4=Credit%20Union%20Times&cf2_field_3=Credit%20Union%20Times&cf2_field_2=Credit%20Union%20Times&cf2_field_1=Credit%20Union%20Times&cf2_field_0=Credit%20Union%20Times&cf2_field_11f1843ef/2&frommenu=1&uid=5395b5a1263aae49&ct=1&pre=http%3A%2F%2Fwww.cutimes.com%2F2013%2F04%2F12%2Fdigital-title-fraud-fight-makes-case-for-elt-print&tt=0&captcha_provider=recaptcha)

(http://ads.cutimes.com/RealMedia/ads/click_lx.ad
-300x100.jpg/706176724a564d7a4e77734142784

Share

10

No comments yet.

Join the conversation

The \$825 million SAFE Federal Credit Union in Sumter, S.C., made the transition to ELT in 2006 when it was asked to participate in a pilot program, said Mary Anderson, records supervisor. Decision Dynamics Inc. in Lexington, S.C., contacted several financial institutions including SAFE FCU to test its ELT system. The credit union signed on even though it's not required in South Carolina, she added.

"We're able to do a search on every title. We know if it's a salvaged title. And, it's faster access, which prevents someone from going in and getting a paper title," she explained.

SAFE FCU processed 5,500 auto loans last year, many of them coming through refinancing, Anderson said. She shudders at the thought of having to process and handle paper titles for all those loans.

"It's just a lot more efficient. Before, you had to get the exact VIN number, file it, then the release and then you'd have to look for the title," Anderson said.

SAFE FCU still gets paper titles from other states, but Anderson said she is looking forward to the day when all states will be on ELT.

The greatest potential for fraud is that time period when a DMV conducts its internal processes involving lien holders, said Glenn Thames, president/CEO of Decision Dynamics, one of handful of national ELT providers. That time frame varies from state to state ranging from two to three days to two months in some states, he noted. It's here that criminals map out their plan.

"They might say 'today, we're going to hit this credit union and that one.' They'll go down the street getting their loans," Thames said. "A lot of lenders – credit unions, banks and title companies – take it at face value and provide the loans."

Thames recalled how one credit union in South Carolina was able to uncover fraudulent title activity at a dealership. While the dealer was charged and ended up going to jail, the credit union lost \$50,000 and another was bilked out of \$200,000.

In the roughly 20 states that allow it, Decision Dynamics provides VIN inquiry access to its customers, Thames said. The company also does lien alerts so that pending lien holder notifications in a credit union's system are flagged. Financial institutions can tell if scammers are trying to make the rounds to obtain loans.

Still, some lenders just aren't sold on ELT, Thames commented.

"Even if you show them the benefits and the cost savings, they just don't want to change the way they've been doing things," he offered. "Most times, when you go into a credit union that doesn't participate in ELT and they have 30,000 titles, they'll probably have 1,000 exceptions [for title issuance]. With a credit union on ELT, that figure goes down into the teens."

[« Previous \(/2013/04/12/digital-title-fraud-fight-makes-case-for-elt-print?page=1\)](#)

Page 2 of 2



Get daily breaking news
and information

More eNewsletters [Sign up](#)

RESOURCE CENTER



**Take Action and Protect
Your Members from
Possible Cyber Attacks**

[\(/resources/104c7ced97ee3c90](/resources/104c7ced97ee3c90)

[FROM IDENTITYTHEFT
\(/RESOURCES/104C7CED97EE3
IDT911 provides credit unions
with guidance and solutions](/resources/104c7ced97ee3c90)



**Making a Business Case for
Advanced Fraud
Technology**

[\(/resources/dc2b33e6bd512c11](/resources/dc2b33e6bd512c11)

[FROM TRUSTEER
\(/RESOURCES/DC2B33E6BD512
Discover business case
components to consider a](/resources/dc2b33e6bd512c11)



**Is Your Brand Strong
Enough To Power An Omni-
Channel Strategy?**

[\(/resources/5c13dc9b1bd0ccff:](/resources/5c13dc9b1bd0ccff)

[FROM BAQUEST+PARTNERS
\(/RESOURCES/5C13DC9B1BD0C
Before the Internet, it seemed
opening a branch was all it](/resources/5c13dc9b1bd0ccff)



http://ads.cutimes.com/RealMedia/ads/click_lx.ad-Ad-CUTimes-300x250.jpg/706176724a564d7a4e7

MOST POPULAR

**10 Best States for Financial
Literacy (/2014/05/30/10-best-
states-for-financial-literacy)**

May 30 | [Dan Berman \(/author/dan-berman\)](#)



[\(/2014/05/30/
-best-
states-for-
-financial-
-literacy\)](/2014/05/30/10-best-states-for-financial-literacy)

**10 Worst States for Financial
Literacy (/2014/05/27/10-worst-
states-for-financial-literacy)**

May 27 | [Dan Berman \(/author/dan-berman\)](#)



[\(/2014/05/27/
-worst-
states-for-
-financial-
-literacy\)](/2014/05/27/10-worst-states-for-financial-literacy)

**3 Ways the Risk-Based
Proposal Tops Basel
(/2014/06/04/3-ways-the-risk-
based-proposal-tops-basel)**

Jun 04 | [Nicholas Ballasay](#)



[\(/2014/06/04/
-ways-the-
-risk-](/2014/06/04/3-ways-the-risk-based-proposal-tops-basel)

**5 Scary Lessons Learned at CU
InfoSecurity (/2014/05/27/5-
scary-lessons-learned-at-cu-
infosecurity)**

May 27 | [Robert McGarvey](#)



[\(/2014/05/27/
-scary-
lessons-](/2014/05/27/5-scary-lessons-learned-at-cu-infosecurity)